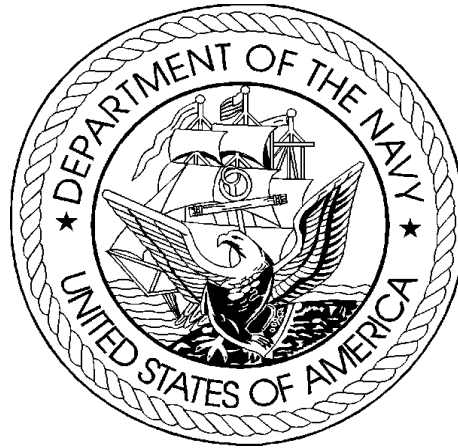


DEPARTMENT OF THE NAVY
FISCAL YEAR (FY) 2003
BUDGET ESTIMATES



JUSTIFICATION OF ESTIMATES
FEBRUARY 2002

NATIONAL DEFENSE SEALIFT FUND

Fiscal Year 2003 Budget Estimates
Budget Appendix Extract Language

NATIONAL DEFENSE SEALIFT FUND (NDSF)

For National Defense Sealift Fund programs, projects, and activities, and for expenses of the National Defense Reserve Fleet, as established by section 11 of the Merchant Ship Sales Act of 1946 (50 U.S.C. App. 1744), and for the necessary expenses to maintain and preserve a U.S.-flag merchant fleet to serve the national security needs of the United States, [\$432,408,000] \$934,129,000, to remain available until expended [: *Provided*, That none of the funds provided in this paragraph shall be used to award a new contract that provides for the acquisition of any of the following major components unless such components are manufactured in the United States: auxiliary equipment, including pumps, for all shipboard services; propulsion system components (that is; engines, reduction gears, and propellers); shipboard cranes; and spreaders for shipboard cranes: *Provided further*, That the exercise of an option in a contract awarded through the obligation of previously appropriated funds shall not be considered to be the award of a new contract: *Provided further*, That the Secretary of the military department responsible for such procurement may waive the restrictions in the first proviso on a case-by-case basis by certifying in writing to the Committees on Appropriations of the House of Representatives and the Senate that adequate domestic supplies are not available to meet Department of Defense requirements on a timely basis and that such an acquisition must be made in order to acquire capability for national security purposes: *Provided further*, That, notwithstanding any other provision of law, \$25,000,000 of the funds available under this heading shall be available only to finance the cost of constructing additional sealift capacity]. (*Department of Defense Appropriations Act, 2002.*)

NATIONAL DEFENSE SEALIFT FUND

Summary Narrative:

The request of \$934.1 million in FY 2003 funds the operations and maintenance and the related Research and Development of sealift assets utilized for prepositioning, surge and Ready Reserve Force (RRF) requirements established by the DoD Mobility Requirements Study (MRS) and the MRS Bottom Up Review Update (BURU). The importance of substantial enhancements to our strategic mobility was first identified in the 1991 MRS and was validated in the FY 1995 MRS BURU. Based upon ship configurations, a total of 19 prepositioning/surge ships will be required to satisfy the MRS BURU requirements. The final LMSR ship was funded in FY1999. Construction is also underway on the last of three planned Maritime Prepositioning Force Enhancement (MPF(E)) Ships for the Marine Corps. A 20th LMSR was funded in FY2000 to replace one LMSR taken up as MPF(E) number 3.

The NDSF budget request includes \$14.4 million in FY 2003 for the continuation of research and development efforts for the Strategic Sealift Technology Development Program. Furthermore, \$251.8 million is budgeted in FY 2003 for costs associated with maintenance of the National Defense Reserve Fleet, which includes the Ready Reserve Force. In addition, \$279.1 million is budgeted for costs associated with the maintenance and alterations of Department of Defense (DoD) Mobilization Assets, such as Fast Sealift Ships (FSS), Large Medium Speed Roll-on/Roll-off (LMSR) vessels, Fleet Hospital ships (T-AH).

The NDSF funds the operation, maintenance, and support (O&S) of current strategic sealift assets. These operations, other than RRF vessels, are funded on a reimbursable basis to the NDSF Appropriation. The individual Defense components order these services from the NDSF via a funded Economy Act order. The NDSF purchases these O&S services by issuing reimbursable orders to the Navy Working Capital Fund (NWCf).

NATIONAL DEFENSE SEALIFT FUND

Supplemental Exhibits Index

<u>NDSF Budget Activity/Programs</u>	<u>Pages</u>
BA 1	
Strategic Sealift Acquisition [LMSR New Construction/Conversion program, T-AKE, MPF(F), Maritime Academy training ship]	4-18
BA 2	
DoD Mobilization Assets [FSS Maint, LMSR Maint , Mobilization Alterations ,T-AH Maint]	19-23
BA 4	
Research and Development [National Defense Sealift Research and Development]	24-28
BA 5	
Ready Reserve Force [Operations and Maintenance of the NDRF to include the RRF]	29-35

NDSF SUMMARY FINANCIAL DATA**FY 2003 President's Budget**

Feb-02

The following exhibits provide summary financial management information and supporting data.

(TOA \$ Millions)

<i>NDSF Budget Activity - Programs:</i>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY2006</u>	<u>FY2007</u>	Total Program
Strategic Ship Acquisition : (NDSF BA 1)	755.6	12.5	0.0	388.8	441.2	795.1	747.5	1,858.0	4,998.7
DoD Mobilization Assets (NDSF BA 2)	94.1	121.8	170.2	279.1	249.7	261.6	255.9	251.3	1,683.7
- FSS Maint	46.3	46.8	59.8	60.5	50.7	53.1	53.0	52.6	422.7
- LMSR Maint	27.2	56.3	83.0	80.4	69.8	73.5	73.0	72.8	536.0
- DOD Mob. Alts	0.2	3.3	3.6	109.2	13.7	13.8	13.9	3.9	161.6
- T-AH Maint	20.4	15.4	14.9	17.5	16.5	22.2	17.1	23.0	147.0
- Other Mobilization Programs	0.0	0.0	8.9	11.5	99.0	99.0	99.0	99.0	416.4
Sealift R&D: (NDSF BA 4)	3.8	6.7	9.7	14.4	44.6	45.2	44.0	38.3	206.7
NDRF / RRF O&M (NDSF BA 5)	256.9	258.4	248.7	251.8	234.8	240.6	246.1	252.6	1,989.9
Users O&M:(1)									
Total (2/3)	1,110.3	399.4	428.6	934.1	970.4	1,342.5	1,293.5	2,400.2	8,879.0

(1) Funded on a reimbursable basis. Customer funding is appropriated in user Service O&M accounts

(2) FY 2001 funding reflects the budget as of September 30, 2001, as approved in the FY02 Defense Appropriations Act.

(3) Totals are rounded figures which (though accurately reflecting rounded individual program amounts) may not add here exactly as displayed due to rounding of thousands into millions.

UNCLASSIFIED
CLASSIFICATION

NATIONAL DEFENSE SEALIFT FUND
Exhibit P-27
FY 2003 President's Budget

NDSF
Feb-02
BA-1

SHIP PRODUCTION SCHEDULE (T-AKR)

<u>Ship Type</u>	<u>Shipbuilder</u>	<u>Fiscal Yr Authorized</u>	<u>Contract Award</u>		<u>Start of Construction</u>	<u>Current Estimated Delivery Date</u>
TAKR 295	NASSCO	FY93	Jul-93	*	Jun-94	May-96
TAKR 296	Newport News	FY93	Jul-93	*	Oct-93	Aug-96
TAKR 297	NASSCO	FY93	Jul-93		May-95	Feb-97
TAKR 298	Newport News	FY93	Jul-93		Oct-93	May-97
TAKR 299	NASSCO	FY93	Jul-93		Oct-95	Nov-97
TAKR 300	Avondale	FY93	Sep-93	*	Jan-95	Nov-98
TAKR 301	Avondale	FY94	Sep-94		Oct-95	Aug-99
TAKR 302	Avondale	FY94	Sep-94		Sep-96	Mar-00
TAKR 303	Avondale	FY96	Dec-95		May-97	Jan-01
TAKR 304	Avondale	FY97	Nov-96		Nov-97	Jul-01
TAKR 305	Avondale	FY98	Nov-97	*	Aug-98	Jul-02
TAKR 306	Avondale	FY99	Dec-98		Jun-99	Feb-03
TAKR 310	NASSCO	FY93	Sep-93	*	Mar-96	Jun-98
TAKR 311	NASSCO	FY95	Oct-94		Jan-97	Dec-98
TAKR 312	NASSCO	FY95	Oct-94		Aug-97	Jul-99
TAKR 313	NASSCO	FY96	Jan-96		Mar-98	Jan-00
TAKR 314	NASSCO	FY97	Nov-96		Sep-98	May-00
TAKR 315	NASSCO	FY 97	May-97		Apr-99	Mar-01
TAKR 316	NASSCO	FY98	Nov-97	*	Nov-99	Aug-01
TAKR 317	NASSCO	FY00	Feb-00	*	Jul-00	Sep-02

* These were new contracts; all other ships were options to the basic contracts.

** Please see separate worksheet -which follows - for T-AKE

Note: Dates in **bold** are actuals.

Feb-02
P-5

NATIONAL DEFENSE SEALIFT FUND
FY 2003 President's Budget
NDSF BA 1 P-5 Exhibit
Conversion/ Ship Buy

Contract Award Year (\$ THOUSANDS)	FY93			FY93		FY93		
	NASSCO LEAD	NASSCO FOLLOW	NASSCO FOLLOW	NEWPORT LEAD	NEWPORT FOLLOW	TOTAL LEAD	TOTAL FOLLOW	GRAND TOTAL
1. PLANS								
2. BASIC	295,345	246,858	247,016	313,423	248,427	608,768	742,300	1,351,068
3. CHANGE ORDERS	32,513	18,785	18,310	25,726	22,748	58,239	59,843	118,082
4. ELECTRONICS								
5. PROPULSION								
6. HM&E	9,991	2,163	1,862	11,239	1,626	21,230	5,651	26,881
7. OTHER	2,566	2,565	2,547	2,724	2,556	5,291	7,668	12,959
8. ORDNANCE	0	0	0	0	0	0	0	0
9. ESCALATION	0	0	0	0	0	0	0	0
SUBTOTAL WEAPON SYSTEM END COST	340,416	270,371	269,735	353,111	275,357	693,527	815,462	1,508,990
10. POST DELIVERY	3,674	2,281	2,231	2,755	495	6,429	5,006	11,435
TOTAL WEAPON SYSTEM END COST	344,090	272,652	271,966	355,866	275,852	699,956	820,469	1,520,425

NOTE: Program year of ship does not equate to the fiscal year (FY) funding.

UNCLASSIFIED
FY 2003 President's Budget
Feb-02
NDSF BA 1 P-8A Exhibit

NATIONAL DEFENSE SEALIFT FUND
Analysis of Ship Cost Estimates - Major Equipment
(Dollars in Thousands)

Ship Type: Soderman Conversion to MPFE

FY 00	FY 01	FY 02	FY 03
Total Cost	Total Cost	Total Cost	Total Cost

HM&E

A. HM&E Test & Instrumentation	133	0	0	0
B. HM&E Engineering Services	224	0	0	0
C. SUPSHIP Material/Services	<u>343</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total HM&E	700	0	0	0

UNCLASSIFIED
FY 2003 President's Budget
Feb-02
NDSF BA 1 P-8A Exhibit

NATIONAL DEFENSE SEALIFT FUND
Analysis of Ship Cost Estimates - Major Equipment
(Dollars in Thousands)

Ship Type: Strategic Sealift Conversion Program	FY93 & Prior Total Cost
HM&E	
A. HM&E Test & Instrumentation	4,069
B. HM&E Engineering Services	19,330
C. SUPSHIP Material/Services	<u>3,481</u>
Total HM&E	26,881

**P-5 EXHIBIT
FY 2003 President's Budget
Feb-02**

P-1 ITEM NOMENCLATURE: NEW CONSTRUCTION PROGRAM

FY93 & Prior	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	TOTAL PROGRAM
2	2	2	2	3	2	1	1				15
624,413	502,532	462,531	450,955	705,382	456,261	260,548	260,282				3,722,903
39,826	21,630	27,978	26,149	43,440	33,700	24,141	3,893				220,758
31,820	10,504	14,107	7,805	12,317	8,577	4,065	5,200				94,393
14,949	9,699	11,516	6,720	11,514	8,026	5,000	3,860				71,285
57,921	47,321	40,626	38,066	50,019	54,935	5,213	14,556				308,657
768,929	591,686	556,757	529,695	822,672	561,499	298,966	287,791				4,417,996
											0
8,086	7,558	5,224	7,000	10,500	7,000	3,156.0	3,500.0				55,180
777,015	599,244	561,981	536,695	833,172	568,499	302,122	291,291				4,473,176
				(35,000)	70,000	(35,000)					0
777,015	599,244	561,981	536,695	798,172	638,499	267,122	291,291				4,473,176

CLASSIFICATION:

UNCLASSIFIED

PROGRAM COST BREAKDOWN

APPROPRIATION: NATIONAL DEFENSE SEALIFT FUND

BUDGET ACTIVITY: BA-1

STRATEGIC SEALIFT-NEW CONSTRUCTION PROGRAM

**P-5 EXHIBIT
FY 2003 President's Budget
Feb-02**

P-1 ITEM NOMENCLATURE: NEW CONSTRUCTION PROGRAM

Contract Award Year	FY93 & Prior	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	TOTAL PROGRAM
AVONDALE SHIP QUANTITY	1	2	0	1	1	1	1					7
(\$ THOUSANDS)												
1. PLANS												
2. BASIC	310,954	502,532		232,955	238,153	237,761	260,548					1,782,901
3. CHANGE ORDERS	19,493	21,630		14,124	18,791	19,790	24,141					117,970
4. ELECTRONICS												
5. PROPULSION												
6. HM&E	16,314	10,504		2,605	3,304	4,727	4,065					41,518
7. OTHER	11,449	9,699		2,396	3,180	3,900	5,000					35,624
8. ORDNANCE												
9. ESCALATION	30,021	47,321		22,385	22,901	22,572	5,213					150,413
SUBTOTAL	388,230	591,686		274,465	286,330	288,750	298,966					2,128,427
10. POST DELIVERY	4,546	7,558		3,500	3,500	3,500	3,156					25,760
Jan 2002 NDSF New Construction Allocation	392,776	599,244		277,965	289,830	292,250	302,122					2,154,187
FY98 funds for FY97 & FY99 hulls						35,000	(35,000)					0
Total	392,776	599,244		277,965	289,830	327,250	267,122					2,154,187

NOTE: Program year of ship does not equate to the fiscal year (FY) funding.

NATIONAL DEFENSE SEALIFT FUND (NDSF)
Strategic Sealift Conversion 5 Ship Buy
FY 2003 President's Budget

STRATEGIC SEALIFT SHIP
P5 - CONVERSION TO MPFE
Feb-02

Soderman Conversion to MPFE
Contract Award Year

(\$ THOUSANDS)

	FY 00	FY 01	FY 02	FY 03
1. PLANS				
2. BASIC	25,000	0	0	0
3. CHANGE ORDERS	1,400	0	0	0
4. ELECTRONICS				
5. PROPULSION				
6. HM&E	700	0	0	0
7. OTHER	700	0	0	0
8. ORDNANCE				
9. ESCALATION				
SUBTOTAL WEAPON SYSTEM END COST	27,800	0	0	0
10. POST DELIVERY	2,200	0	0	0
TOTAL WEAPON SYSTEM END COST	30,000	0	0	0

UNCLASSIFIED
Feb-02

NDSF BA1 P-5 NASSCO New Construction

PROGRAM COST BREAKDOWN

APPROPRIATION: NATIONAL DEFENSE SEALIFT FUND

BUDGET ACTIVITY: BA-1

STRATEGIC SEALIFT-NEW CONSTRUCTION PROGRAM

**FY 2003 President's Budget
NATIONAL DEFENSE SEALIFT FUND (NDSF)
NEW CONSTRUCTION PROGRAM NASSCO**

P-1 ITEM NOMENCLATURE: NEW CONSTRUCTION PROGRAM

Contract Award Year	FY93 & Prior	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	TOTAL PROGRAM
NASSCO SHIP QUANTITY	1	0	2	1	2	1						7
(\$ THOUSANDS)												
1. PLANS												
2. BASIC	313,459		462,531	218,000	467,230	218,500						1,679,720
3. CHANGE ORDERS	20,333		27,978	12,025	24,648	13,910						98,894
4. ELECTRONICS												
5. PROPULSION												
6. HM&E	15,506		14,107	5,200	9,012	3,850						47,675
7. OTHER	3,501		11,516	4,324	8,334	4,126						31,801
8. ORDNANCE												
9. ESCALATION	27,900		40,626	15,681	27,118	32,363						143,688
SUBTOTAL	380,699		556,757	255,230	536,343	272,749						2,001,778
10. POST DELIVERY	3,540		5,224	3,500	7,000	3,500						22,764
Jan 2002 NDSF New Construction Allocation	384,239		561,981	258,730	543,343	276,249						2,024,542
FY98 funds for FY97 & FY99 hulls (Compensation for DON FY97 Reprogramming)					(35,000)	35,000						0
Total	384,239		561,981	258,730	508,343	311,249						2,024,542

NOTE: Program year of ship does not equate to the fiscal year (FY) funding.

UNCLASSIFIED
Feb-02
NDSF BA1 P-5 Estimated New Construction

FY 2003 President's Budget
NATIONAL DEFENSE SEALIFT FUND (NDSF)
NEW CONSTRUCTION PROGRAM *Estimated*
EXHIBIT P-5

NDSF BA-1
STRATEGIC SEALIFT- NEW CONSTRUCTION PROGRAM

P-1 ITEM NOMENCLATURE: NEW CONSTRUCTION PROGRAM

Naval Sea Systems Command (NAVSEA) *Estimated* Program Strategic Sealift Construction Program Display

Contract Award Year	FY93 & Prior	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	TOTAL PROGRAM
ESTIMATED SHIP QUANTITY	0	0	0	0	0	0	0	1	0	0	0	1
(\$ THOUSANDS)												
1. PLANS	0	0	0	0	0	0	0		0	0	0	0
2. BASIC	0	0	0	0	0	0	0	260,282	0	0	0	260,282
3. CHANGE ORDERS	0	0	0	0	0	0	0	3,893	0	0	0	3,893
4. ELECTRONICS	0	0	0	0	0	0	0		0	0	0	0
5. PROPULSION	0	0	0	0	0	0	0		0	0	0	0
6. HM&E	0	0	0	0	0	0	0	5,200	0	0	0	5,200
7. OTHER	0	0	0	0	0	0	0	3,860	0	0	0	3,860
8. ORDNANCE	0	0	0	0	0	0	0		0	0	0	0
9. ESCALATION	0	0	0	0	0	0	0	14,556	0	0	0	14,556
SUBTOTAL	0	0	0	0	0	0	0	287,791	0	0	0	287,791
10. POST DELIVERY	0	0	0	0	0	0	0	3,500	0	0	0	3,500
Jun 2001 NDSF New Construction Allocation	0	0	0	0	0	0	0	291,291	0	0	0	291,291

NOTE: Program year of ships does not equate to the fiscal year (FY) funding.

* The numbers displayed in this table are also incorporated into the the sums shown on the consolidated table which precedes.

UNCLASSIFIED
Feb-02
NDSF BA 1 P8A Equipment

FY 2003 President's Budget
NATIONAL DEFENSE SEALIFT FUND (NDSF)
Analysis of Ship Cost Estimates - Major Equipment
EXHIBIT P-8A

P-1 ITEM NOMENCLATURE: NEW CONSTRUCTION PROGRAM
(Dollars in Thousands)

Ship Type: Strategic Sealift New Construction Program	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	Total
	& Prior Total Cost	Total Cost	Total Cost	Total Cost	Total Cost	Total Cost	Total Cost	Total Cost	All Years
HM&E									
A. HM&E Test & Instrumentation	702	3,830	875	2,382	5,616	3,740	1,376	1,870	20,391
B. HM&E Engineering Services	28,698	5,331	8,147	4,040	4,477	3,242	2,023	2,670	58,628
C. SUPSHIP Material/Services	2,420	1,343	5,084	1,382	2,223	1,595	666	660	15,374
Total HM&E	31,820	10,504	14,107	7,805	12,317	8,577	4,065	5,200	94,393

CLASSIFICATION: UNCLASSIFIED

BUDGET ITEM JUSTIFICATION SHEET (P-40) FY 2003 PRESIDENTS BUDGET								DATE: FEBRUARY 2002		
APPROPRIATION/BUDGET ACTIVITY/BUDGET LINE ITEM NATIONAL DEFENSE SEALIFT FUND/BA-1/BLI-012000								P-1 ITEM NOMENCLATURE T-AKE		
	PRIOR YEAR	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	TO COMPLETE	TOTAL PROGRAM
QUANTITY	1	1	1	1	1	2	2	3	0	12
End Cost	488.9	357.8	360.8	388.8	441.2	795.1	747.5	1,158.0	141.6	4,879.7
Less NDSF Transfer	73.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	73.3
Less FY00 SCN	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.4
Full Funding TOA	406.2	357.8	360.8	388.8	441.2	795.1	747.5	1,158.0	141.6	4,797.0
Plus Advance Procurement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Obligational Authority	406.2	357.8	360.8	388.8	441.2	795.1	747.5	1,158.0	141.6	4,797.0
Plus Outfitting and Post Delivery	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Plus Escalation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	406.2	357.8	360.8	388.8	441.2	795.1	747.5	1,158.0	141.6	4,797.0
Unit Cost (Ave. End Cost)	488.9	357.8	360.8	388.8	441.2	397.5	373.8	386.0	0.0	406.6

MISSION:
The Dry Cargo/Ammunition Ship (T-AKE) Acquisition Program will replace the aging fleet of refrigerated cargo and food stores ships (designated AFS Class) and ammunition ships (designated AE Class) in the Navy's Combat Logistics Force (CLF). The primary mission of the T-AKE is to provide a steady stream of ammunition, spare parts and provisions (dry, refrigerated and frozen) to naval forces at sea in its role as a shuttle ship.

NOTE: The FY02 T-AKE is reflected in the SCN Appropriation in the FY 02 Appropriations Act. Pending approval, it will be reprogrammed to NDSF in accordance with Congressional preference that NDSF be used for combat logisites force ships. FY00 and FY01 ships have already been reprogrammed. Starting in FY03, the Department requests funding in NDSF.

<u>Characteristics:</u>	T-AKE	<u>Production Status</u>	T-AKE 0001
<u>Hull</u>	<u>POINT DESIGN</u>	<u>Contract Plans</u>	
Length overall	689 FT	Award Planned (Month)	Oct 01
Beam	106 FT	Months to Complete	
Displacement	35,374 LT	a) Award to Delivery	39
Draft	29.5 FT	b) Construction Start to Delivery	22
		Commissioning Date	TBD
		Completion of Fitting-Out	Mar 05
<u>Armament:</u> N/A		<u>Major Electronics:</u>	
		HF/UHF/VHF Systems	SWAN/LAN
		HSFB	ADNS
		INMARSAT	DMS
		GPS	INTEGRATED BRIDGE CONTROL SYSTEM
		GMDSS	MACHINERY CONTROL SYSTEM
		IFF	
		SNAP	

DD Form 2454, JUL 88

UNCLASSIFIED
CLASSIFICATION

NDSF/BA 1
FEBRUARY 2002
BLI: 012000

WEAPON SYSTEM COST ANALYSIS EXHIBIT (P-5)

APPROPRIATION: NATIONAL DEFENSE SEALIFT FUND

BUDGET ACTIVITY: BA-1			P-1 ITEM NOMENCLATURE: T-AKE			SUBHEAD: 8010 FY00		
BUDGET LINE ITEM: 012000						8110 FY01		
ELEMENT OF COST	QTY	FY 2000 TOT COST	QTY	FY 2001 TOT COST	QTY	FY 2002 TOT COST	QTY	FY 2003 TOT COST
PLAN COSTS	1	56,784	1	0	1	0	1	0
BASIC CONST/CONVERSION		389,129		332,885		335,305		344,326
CHANGE ORDERS		0		0		0		0
ELECTRONICS		8,963		9,131		9,313		9,505
PROPULSION EQUIPMENT		0		0		0		0
HM&E		13,665		9,791		10,000		10,192
OTHER COST		18,661		4,299		4,400		4,474
ORDNANCE		1,701		1,733		1,800		1,803
ESCALATION		0		0		0		0
TOTAL SHIP ESTIMATE		488,903		357,839		360,818		370,300
POST DELIVERY/OUTFITTING		0		0		0		18,530
NET P-1 LINE ITEM		488,903 1/		357,839		360,818 2/		388,830

1/ Includes \$9,440 million HM&E in SCN and \$73.3 million reprogramming of LMSR assets.

2/NOTE: The FY02 T-AKE is reflected in the SCN Appropriation in the FY 02 Appropriations Act. Pending approval, it will be reprogrammed to NDSF in accordance with Congressional preference that NDSF be used for combat logisitics force ships. FY00 and FY01 ships have already been reprogrammed. Starting in FY03, the Department requests funding in NDSF.

UNCLASSIFIED
CLASSIFICATION

NDSF/BA 1
FEBRUARY 2002
BLI: 012000

WEAPON SYSTEM COST ANALYSIS EXHIBIT (P-5)

APPROPRIATION: NATIONAL DEFENSE SEALIFT FUND

BUDGET ACTIVITY: BA-1		P-1 ITEM NOMENCLATURE: T-AKE				SUBHEAD: 8010 FY00		
BUDGET LINE ITEM: 012000		8110 FY01						
ELEMENT OF COST	QTY	FY 2004	QTY	FY 2005	QTY	FY 2006	QTY	FY 2007
		TOT COST		TOT COST		TOT COST		TOT COST
PLAN COSTS	1	0	2	0	2	0	3	0
BASIC CONST/CONVERSION		320,582		642,348		644,308		989,122
CHANGE ORDERS		0		0		0		0
ELECTRONICS		9,704		19,816		20,234		30,987
PROPULSION EQUIPMENT		0		0		0		0
HM&E		10,405		21,248		21,696		33,225
OTHER COST		4,568		9,328		9,524		14,586
ORDNANCE		1,841		3,760		3,838		5,880
ESCALATION		0		0		0		0
TOTAL SHIP ESTIMATE		347,100		696,500		699,600		1,073,800
POST DELIVERY/OUTFITTING		94,105		98,597		47,913		84,157
NET P-1 LINE ITEM		441,205		795,097		747,513		1,157,957

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NATIONAL DEFENSE SEALIFT FUND
SHIP PRODUCTION SCHEDULE

SHIP TYPE	SHIPBUILDER	FISCAL YEAR AUTHORIZED	CONTRACT AWARD	START OF CONSTRUCTION	DELIVERY DATE
T-AKE 0001	NASSCO	2000	Oct-01	Mar-03	Jan-05
T-AKE 0101	NASSCO	2001	Oct-01	Sep-03	May-05
T-AKE 0201	TBD	2002	May-02	Aug-04	Mar-06
T-AKE 0301	TBD	2003	Mar-03	Mar-05	Aug-06
T-AKE 0401	TBD	2004	Jan-04	Oct-05	Apr-07
T-AKE 0501	TBD	2005	Jan-05	Feb-06	Jul-07
T-AKE 0502	TBD	2005	Jan-05	Oct-06	Feb-08
T-AKE 0601	TBD	2006	Jan-06	Apr-07	Jul-08
T-AKE 0602	TBD	2006	Jan-06	Oct-07	Jan-09
T-AKE 0701	TBD	2007	Jan-07	Apr-08	Jul-09
T-AKE 0702	TBD	2007	Jan-07	Nov-08	Feb-10
T-AKE 0703	TBD	2007	Jan-07	Apr-09	Jul-10

NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2003 President's Budget
Sealift Acquisition Program
(\$Millions)

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Sealift Acquisition Programs:	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Large Medium Speed Roll On/Roll Off Ship (LMSR)	324.53	0.00	0.00	0.00
RRF Troop Ship / Maritime Academy School Ship	12.50	12.50	0.00	0.00
T-AKE	406.16	0.00	0.00	388.83
USS Martin Contractor Settlement	3.76	0.00	0.00	0.00
USS WHEAT Conversion Completion	8.60	0.00	0.00	0.00
Maritime Pre-Positioning Force (Future) - MPFE(F)	0.00	0.00	0.00	0.00
Total, Sealift Acquisition	755.55	12.50	0.00	388.83

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Outyear Costs	441.21	795.10	747.51	1,857.96
Large Medium Speed Roll On Roll/Off Ship (LMSR)	0.00	0.00	0.00	0.00
RRF Troop Ship / Maritime Academy School Ship	0.00	0.00	0.00	0.00
T-AKE	441.21	795.10	747.51	1,157.96
USS Martin Contractor Settlement	0.00	0.00	0.00	0.00
USS WHEAT Conversion Completion	0.00	0.00	0.00	0.00
Maritime Pre-Positioning Force (Future) - MPFE(F)	0.00	0.00	0.00	700.00

Large Medium Speed Roll On Roll Off Ship (LMSR): Large, Medium-speed, Roll-on/Roll-off Ships, or LMSRs, can carry an entire U.S. Army Task Force, including 58 tanks, 48 other track vehicles, plus more than 900 trucks and other wheeled vehicles. The ship carries vehicles and equipment to support humanitarian missions, as well as combat missions. The vessels have a cargo carrying capacity of more than 380,000 square feet, equivalent to almost eight football fields. In addition, LMSRs have a slewing stern ramp and a removable ramp which services two side ports making it easy to drive vehicles on and off the ship. Interior ramps between decks ease traffic flow once cargo is loaded aboard ship. Two 110-ton single pedestal twin cranes make it possible to load and unload cargo where shoreside infrastructure is limited or nonexistent. The need for additional military sealift ships was identified in a Congressionally-mandated study by the Joint Chiefs of Staff in the early 1990s. The Mobility Requirements Study focused on Department of Defense transportation during the Persian Gulf War. It highlighted the urgent need for greater sealift capacity to transport military equipment and supplies during wartime and other national contingencies.

Maritime Academy: \$25,000,000 to convert an RRF sealift vessel into a training ship for the Massachusetts Maritime Academy. These funds are being used to convert an existing vessel in the Department of Defense Ready Reserve Force into a training ship for Academy's maritime cadets during peacetime which also serves as a Ready Reserve Force troop ship for use during national emergencies.

T-AKE: The Auxiliary Cargo and Ammunition (T-AKE) Acquisition Program will replace the aging fleet of refrigerated cargo and food stores ships (designated AFS Class) and ammunition ships (designated AE Class) in the Navy's Combat Logistics Force (CLF). The primary mission of the T-AKE is to provide a steady stream of ammunition, spare parts and provisions (dry, refrigerated and frozen) to naval forces at sea in its role as a shuttle ship. As an auxiliary support ship, T-AKE will directly contribute to the ability of the Navy to maintain a forward presence. In its primary mission role, the T-AKE will provide logistic lift from sources of supply such as friendly ports, or at sea from specially equipped merchant ships by consolidation, and will transfer cargo (ammunition, food, limited quantities of fuel, repair parts, ship store items, and expendable supplies and material) at sea to station ships and other naval warfare forces. In its secondary mission, the T-AKE may be required to operate in concert with a Henry J. Kaiser-Class (T-AO 187) Oiler as a substitute station ship to provide direct logistics support to the ships within a Carrier Battle Group.

NOTE: T-AKE support is reflected here in all years except for FY 2001 and FY 2002.

USS Martin Contractor Settlement: Funds were provided for settlement of Claim in connection with conversion costs of USNS MARTIN.

USS WHEAT Conversion Completion: The MPF (E) conversion program was designed to provide needed supplement the already existing MPF squadron. The requirement for the MPF(E) program was determined from operational lessons learned during Desert Shield, Desert Storm, Somalia, and other operations where Maritime Prepositioning Forces were employed. The enhanced capability provides greater operational flexibility to the CINCs and the requirement was validated by the JROC process. The Wheat was a Ukrainian Roll-on Roll-off vessel. The conversion contract was awarded to Ocean Marine Navigation Company, Inc. on 09 April 1997, and subsequently novated to Bender Shipbuilding and Repair Company, Inc. (BSR) on 15 October 1998. The current contract delivery is expected mid FY 02.

Maritime Pre-Positioning Force (Future) - MPFE(F): \$700,000 in FY 07 will provide Combatant Joint Force Commanders a highly flexible, logistics support capability to meet widely varied expeditionary missions. These missions range from projecting to operations. This force will support Marine Corps concepts of operational maneuver from the Sea and Ship to Objective Maneuver. The initial ship platform configuration for acquisition will be determined by an analysis of alternative concept designs.

NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2003 President's Budget

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National Defense Sealift Vessel
(\$Millions)

Other DoD Mobilization Programs	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
- Maritime Security Program	0.0	0.0	0.0	0.0
- USTRANSCOM MSC Cash Surcharge	0.0	8.9	8.9	11.5
Total, Sealift Acquisition	0.00	8.90	8.90	11.54

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Outyear Costs	99.00	99.00	99.00	99.00
- Maritime Security Program	99.0	99.0	99.0	99.0
- USTRANSCOM MSC Cash Surcharge	0.0	0.0	0.0	0.0

Justification:

Maritime Security Program:

The Maritime Security Act of 1996 established within the Department of Transportation (DoT) the Maritime Security Program (MSP) to assist in maintaining an active, privately owned, U.S. flag and U.S. crewed liner fleet in international trade which is available to support Department of Defense deployments in times of war or national emergencies. The program consists of 47 ships with vessel payments capped at \$2.1 million per vessel annually.

USTRANSCOM MSC Cash Surcharge:

In FY 2000, the MSC component of USTRANSCOM made payments of \$93.0 million to the Maritime Administration (MARAD) for prior year services, some dating back to FY 1991. To complete payment on these prior year bills, an additional amount of \$43.0 million, will be paid in FY 2001. The cause of the delay in payments was attributed to untimely invoicing by MARAD. The MARAD and MSC have now agreed to implement procedures that will ensure future timely submission of invoices and prompt payment. Although the costs had been accrued in the appropriate years, these payments were not included in MSC cash disbursement plans. The unanticipated cash disbursements will result in below normal cash levels. To restore the operating cash balance to the minimum required level, MSC included a \$50.0 million cash surcharge to customer rates in both FY 2002 and FY 2003. The required increase to customer funding and necessary offsets is provided as \$8.9 million in FY 2002 and \$9.9 million in FY 2003 to the NDSF. In addition, rate adjustments for the Navy Working Capital Fund (NWCF) added \$1.6 million in FY 2003.

NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2003 President's Budget

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Fast Sealift Ships (FSS)
(\$Millions)

<u>FSS</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Total FSS	46.28	46.77	59.80	60.46
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Outyear Costs	50.73	53.08	52.97	52.58

Justification:

Eight FSS are maintained in a 4-day Reduced Operating Status (ROS-4) as recommended by the OSD published Mobility Requirements Study (MRS) and the MRS Bottom-Up Review Update (MRS BURU). These ships provide the initial surge sealift capacity required to transport the lead combat forces from CONUS to a given area of operations and satisfy time critical warfighting requirements. The criteria for each readiness status was also specified in the MRS (i.e. Outporting, Sea/Dock Trials, Maintenance). ROS-4 ships have a cadre crew assigned, are outported at a layberth, and undergo annual sea trials, periodic dock trials, and required periodic regulatory drydockings/inspections.

The NDSF direct funded costs reflected here provide only for ROS maintenance and berthing costs. Whenever activated to Full Operating Status (FOS) at the request of a user customer (e.g., LANT/PAC Fleet), then the user pays for the additional expenses, such as fuel and additional crew, on a reimbursable basis.

Fast Sealift Ships are roll-on/roll-off and lift-on/lift-off ships equipped with on-board cranes and self-contained ramps which enable the ships to off-load onto lighterage which anchored at sea or in ports where shore facilities for unloading equipment are unavailable. The vessels are specially suited to transport heavy or bulky unit equipment such as tanks, large wheeled vehicles and helicopters.

NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2003 President's Budget

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Large Medium Speed RO/RO (LMSR)
(\$Millions)

<u>LMSR</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Total, LMSR	27.19	56.34	82.98	80.36
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Outyear Costs	69.85	73.52	73.00	72.76

Justification:

Eleven LMSRs will be maintained in a 4-day Reduced Operating Status (ROS-4) as recommended by the OSD published Mobility Requirements Study (MRS) and the MRS Bottom-Up Review Update (MRS BURU). These ships provide the initial surge sealift capacity required to transport the lead combat forces from CONUS to a given area of operations and satisfy time critical warfighting requirements. The criteria for each readiness status was also specified in the MRS (i.e. Outporting, Sea/Dock Trials, Maintenance). ROS-4 ships have a cadre crew assigned, outported at a layberth, and undergo annual sea trials, periodic dock trials, and required periodic regulatory drydockings/inspections. Cost data incrementally increases as ships are delivered to the fleet and undergo an initial post delivery crew familiarization/warranty maintenance period. All 11 surge LMSRs will be delivered by 28 February 2002.

Large, Medium-speed, Roll-on/Roll-off Ships, or LMSRs, can carry an entire U.S. Army Task Force, including 58 tanks, 48 other track vehicles, plus more than 900 trucks and other wheeled vehicles. The ship carries vehicles and equipment to support humanitarian missions, as well as combat missions. The new construction vessels have a cargo carrying capacity of more than 380,000 square feet, equivalent to almost eight football fields. In addition, LMSRs have a slewing stern ramp and a removable ramp which services two side ports making it easy to drive vehicles on and off the ship. Interior ramps between decks ease traffic flow once cargo is loaded aboard ship. Two 110-ton single pedestal twin cranes make it possible to load and unload cargo where shoreside infrastructure is limited or nonexistent. A commercial helicopter deck was added for emergency, daytime landing.

Background: The need for additional military sealift ships was identified in a Congressionally-mandated study by the Joint Chiefs of Staff in the early 1990s. The Mobility Requirements Study focused on Department of Defense transportation during the Persian Gulf War. It highlighted the urgent need for greater sealift capacity to transport military equipment and supplies during wartime and other national contingencies.

NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2003 President's Budget

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DOD Strategic Vessel Modernization
(\$Millions)

<u>Modernization</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Hospital Ship (T-AH)	0.0	0.8	0.9	0.9
Maritime Prepositioning Ship (MPS)	0.0	1.7	1.8	1.8
Offshore Petroleum Discharge	0.2	0.8	0.9	2.5
MCM Cradles	0.0	0.0	0.0	10.0
T-5 tanker buyout	0.0	0.0	0.0	94.0
Total, Modernization	0.2	3.3	3.6	109.2
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Outyear Costs	13.7	13.8	13.9	3.9

Justification:

Fleet modernization is required to replace obsolete equipment and respond to emergent fleet requirements. Requirements are prioritized annually and fiscal resources are allocated to complete most important safety and operational requirements as soon as resources become available.

OPDS upgrades are being performed on two ships to make them self sufficient, correct safety deficiencies in FYs 02 and 03. Emergent use in of OPDS in FY 02 will require some more effort in OCPDS maintenance in FY 03.

Modernization efforts are planned for hospital ships and prepositioned ships in FYs 02 and 03.

In FY 03 through FY 06 four MCM cradles will be procured - one each fiscal year - to support CINC OPLANS related to timely force closure by providing theater transportation requirements.

T-5 tanker buyout: The Military Sealift Command currently charters five T-5 tankers to transport fuel worldwide for the Defense Energy Support Center. In the early 1980's, the Navy decided to charter, or lease, vice buy the \$65 million T-5 tankers due to fiscal constraints. The charters are for twenty-year terms, expiring over FY 2005 and FY 2006, and contain purchase options. The Military Sealift Command has evaluated a number of alternatives for providing this capability for the foreseeable future, including extending the charters, and the analysis indicates that the most cost-efficient option is to exercise the purchase clauses in the charter contracts. Purchase of all five T-5 tankers in FY 2003 will cost \$94 million, saving the Department \$479 million over FYs 2003 through 2015 as compared to leasing over the same period.

**NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2003 President's Budget**

**NDSF
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**Hospital Ships (T-AH)
(\$Millions)**

<u>T-AH</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Crew Costs	3.80	3.94	4.11	4.40
Maintenance & Repair	10.15	4.84	5.10	6.99
Layberth	2.90	2.96	3.10	3.32
Other	3.57	3.65	2.62	2.79
Total T-AH	20.42	15.39	14.93	17.50
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Outyear Costs	16.46	22.23	17.07	22.98

Justification:

Two T-AHs are maintained in a 5-day Reduced Operating Status (ROS-5) as required by Defense Planning Guidance and CINC OPLANS. These ships provide the critical initial surge field hospital capability to support warfighting, humanitarian, and Operations Other Than War. T-AH ships have a cadre crew assigned, are outported at a layberth, and undergo annual sea trials, periodic dock trials, and required periodic regulatory drydockings/inspections.

Notes:

Crew costs include wages & salaries.

Maintenance & Repair costs include daily maintenance and regulatory inspections, drydockings, and overhauls.

Layberth Costs include berth lease, utilities, tugs, pilots, and inport fuel.

Other costs include ADP support, supplies, subsistence, spare parts, consumables, and DBOF profit/loss.

NATIONAL DEFENSE SEALIFT FUND
Exhibit R-2 Budget Item Justification
FY 2003 President's Budget

NDSF
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COST (\$ in Millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY2006	FY2007	Cost to Complete	Total Cost
Total P.E. Cost										
NDSF Research & Development Strategic Sealift, No. 090000	3.784	6.693	9.717	14.383	44.625	45.210	43.966	38,345	Continuing	206.723
Quantity of RDT&E Articles & cost										

A. Mission Description and Budget Item Justification: Strategic Sealift is the capability to rapidly mobilize and deploy combat forces and sustainment to the theatre of operations. The Strategic Sealift Research and Development Program is a continuation of the Fast Sealift Technology Development Program established by Congress in FY 1990 and the Merchant Ship Naval Augmentation Program (MSNAP). The program goal is to develop new concepts and technologies which can be applied to future strategic sealift ships, seabasing systems, other strategic sealift systems and merchant ship systems to enhance their operational capability and efficiency and reduce total life cycle cost (acquisition and operation).

The focus of the total program is the development and demonstration of Strategic Sealift and Seabasing systems. The technologies include ship configuration concepts, equipment to increase cargo loading and unloading rates (including merchant ship systems), improved man/machine interfaces, improved structural configurations and materials, and Logistics-Over-the-Shore (LOTS) equipment and system improvements to enable Joint Service LOTS (JLOTS) operations to satisfy CINC sea state and operational requirements. This program develops prototype systems from service approved and commercially available technologies and components. This program heavily involves U.S. industry, shipyards, shipbuilding and cargo equipment regulatory bodies, the USCG and MARAD to assure that the potential benefits of these technologies are realized.

Prior program efforts produced: Sea State 3/JLOTS options study and related integrated R&D master plan, initial composite causeway concepts, shipboard crane operator assist systems, Auxiliary Crane Ship (T-ACS), Seashed Systems, Modular Cargo (MCDS) and Fuel (MFDS) Delivery Systems, Vertical Replenishment (VERTREP) deck, and several other Sealift Enhancement Features. Many Ready Reserve Force (RRF) ships have been improved by the program.

**Exhibit R-2 Budget Item Justification
FY 2003 President's Budget
COST (\$ in Millions)**

**NDSF
Feb-02
BA-4
BLI 090000**

OGRAM ACCOMPLISHMENTS AND PLANS:

FY 2000 ACCOMPLISHMENTS:

- \$0.475 Continue development of sealift ship and system concepts for future sealift missions including AAN and Fast Sealift.
- \$0.303 Continue MPF(F)/Seabasing concepts development.
- \$0.100 Continue Sea State 3 JLOTS system equipment master plan.
- \$0.155 Complete modification and testing/evaluation of advanced lighter simulator.
- \$0.394 Testing and demonstration of ship/lighter and ship/ship motion control, mooring and platform interface systems.
- \$0.100 Complete development of JLOTS Planning/Training System.
- \$0.190 Continue development of systems for MERSHIP support of advanced operational concepts.
- \$0.867 Continue shipboard crane systems Sea State 3 capability development/testing/demonstration.
- \$0.550 Continue development of shipboard cargo systems (including SS3 ramp/platform interface).
- \$0.650 Continue to support integrated advanced concept technology demonstration program for the Joint Modular Lighter System (JMLS).

\$3.784 FY2000 total

FY 2001 ACCOMPLISHMENTS:

- \$1.342 Continue development of sealift ship and system concepts for future sealift missions including AAN and Fast Sealift.
- \$0.540 Continue MPF(F)/Seabasing concepts development.
- \$0.050 Complete Sea State 3 JLOTS system equipment master plan.
- \$0.220 Complete modification and testing/evaluation of advanced lighter simulator.
- \$0.350 Continue development of ship/lighter and ship/ship motion control, mooring and platform interface systems.
- \$0.260 Complete development of JLOTS Planning/Training System.
- \$1.203 Continue development of systems for MERSHIP support of advanced operational concepts.
- \$0.678 Continue shipboard crane systems Sea State 3 capability development/testing/demonstration.
- \$1.250 Continue development of shipboard cargo systems (including SS3 ramp/platform interface).
- \$0.800 JMLS

\$6.693 FY2001 total

Exhibit R-2 Budget Item Justification
FY 2003 President's Budget
COST (\$ in Millions)

NDSF
Feb-02
BA-4
BLI 090000

PROGRAM ACCOMPLISHMENTS AND PLANS:		
2. FY 2002 PLAN:		
-	\$1.380	Continue to develop sealift ship and system concepts for future sealift missions including Fast Sealift.
	\$0.050	Validate advanced lighter simulator
-	\$0.567	Testing and demonstration of ship/lighter and ship/ship motion control, mooring and platform interface systems.
	\$0.045	Validate/update Planning/Training systems
-	\$1.395	Continue development of systems for MERSHIP support of advanced operational concepts.
-	\$0.030	Continue shipboard crane systems at-sea operations capability development/testing/demonstration.
-	\$0.400	Continue development of shipboard cargo systems (including ramp/platform interface).
	\$3.550	Initioate MPF(F) concept development
	\$2.300	Initiate T-AOE(X) concept development
	\$9.717	FY2002 total
3. FY 2003 PLAN		
-	\$2.750	Continue to develop sealift ship and system concepts for future sealift missions including Fast Sealift.
-	\$0.500	Testing and demonstration of ship/lighter and ship/ship motion control, mooring and platform interface systems.
-	\$0.200	Validate/update Planning/Training systems
-	\$1.450	Continue development of systems for MERSHIP support of advanced operational concepts.
-	\$1.083	Continue shipboard crane systems at-sea operation capability development/testing/demonstration.
	\$1.400	Continue development of shipboard cargo systems (including ramp/platform interface).
	\$5.000	Continue MPF(F) Concept development
	\$2.000	Continue T-AOE(X) development
	\$14.383	FY2003 TOTAL

Exhibit R-2 Budget Item Justification (Continued)
FY 2003 President's Budget
COST (\$ in Millions)

NDSF BA 4 (R&D)
Feb-02

B. Program Change Summary:				
	FY 2000	FY 2001	FY 2002	FY 2003
FY 2002 President's Budget:	3.784	7.037	9.717	7.383
Appropriated Value	3.784	7.037	9.717	7.383
Adjustments to FY 2002 Appropriated Value/ AOE(X) R&D				2.000
Case 1 OSD Top Line				5.000
FY 2003 President's Budget Adjustment:	0.000	(0.344)	0.000	7.000
FY 2003 President's Budget Submit:	3.784	6.693	9.717	14.383
Funding: Not applicable.				
Schedule: Not applicable.				
Technical: Not applicable.				
C. Other Program Funding Summary:				
Not applicable.				
	FY 2000	FY 2001	FY 2002	FY 2003
Total, (No. 09000) NDSF R&D	3.784	6.693	9.717	14.383

Exhibit R-2 Budget Item Justification (Continued)
FY 2003 President's Budget
STRATEGIC SEALIFT R & D PROGRAM
(\$ Millions)

NDSF BA 4 (R&D)
Feb-02

NDSF R&D Programs:	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Sealift Concept Development	0.475	1.342	0.750	2.650	3.000	3.460	3.316	3.495
MPF(F)/Seabasing Concept Development	0.303	0.540	7.200	1.238	1.225	0.900	1.400	1.400
SS3 JLOTS Baselines & JIPT Support	0.100	0.050	0.000	0.100	0.100	0.100	0.100	0.100
Advanced Lighter Simulator	0.155	0.220	0.000	0.000	0.000	0.000	0.000	0.000
Ship to Ship/Lighter Interface System	0.394	0.350	0.566	0.500	0.400	0.400	0.400	0.400
Planning Tools and C4I Systems	0.100	0.260	0.000	0.250	0.300	0.250	0.250	0.250
MERSHIP Systems Development	0.190	1.203	1.000	0.900	0.800	0.800	0.800	0.800
Shipboard Crane Systems	0.867	0.678	0.100	0.670	0.600	0.650	0.650	0.650
Shipboard Cargo Systems	0.550	1.250	0.101	1.075	1.100	1.150	0.950	0.950
JMLS ACTD	0.650	0.800	0.000	0.000	0.000	0.000	0.000	0.000
Pending SCN Reprogramming, Not on APF	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AOE(X) R&D	0.000	0.000	0.000	2.000	5.000	10.000	10.000	0.000
Case 1 OSD Top Line	0.000	0.000	0.000	5.000	15.000	10.000	10.000	8.000
Case 2 OSD Top Line	0.000	0.000	0.000	0.000	17.100	17.500	16.100	22.300
Total, NDSF R&D Programs	3.784	6.693	9.717	14.383	44.625	45.210	43.966	38.345

NATIONAL DEFENSE SEALIFT FUND
Exhibit P-40
FY 2003 President's Budget

NDSF
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BA-5
BLI #0500

Ready Reserve Force (RRF)
(\$Millions)

RRF	FY 2000	FY 2001	FY 2002	FY 2003
O&M	213.3	222.1	212.0	222.3
Acquisition/NDF	0.0	0.0	0.0	0.0
RRF Ship Upgrades	58.6	19.2	14.5	15.2
Other				
Fast Ship Initiatives	0.0	0.0	21.2	0.0
NDRF/Facilities	8.6	8.0	5.6	5.5
Special Maintenance/ Supply Programs*	8.9	9.1	8.9	8.8
Carryover	-32.5	0.0	-13.5	0.0
Total, RRF	256.9	258.4	248.7	251.8

* = Special Maintenance/Supply programs including an inventory/validation system implementation, Logistics Support, and spare parts.

	FY 2004	FY 2005	FY 2006	FY 2007
Outyear Costs	234.8	240.6	246.1	252.6

Justification: The RRF budget is based upon the conclusions of the OSD published Mobility Requirements Study (MRS) and the MRS Bottom-Up Review Update (MRS BURU). These studies specified a required readiness status for the RRF ships. This status allows the ships to activate in time to deliver cargo to a given area of operations and satisfy time critical warfighting requirements. The criteria for each readiness status was also specified in the MRS (i.e. Outporting, Sea/Dock Trials, Maintenance). These criteria determine the appropriate funding required for a given readiness level. Additional ships are maintained to provide tanker and troop ship support required for OPLAN and contingency execution.

Current Strategic Sealift assets are insufficient to meet OPLAN/MRC requirements. This necessitates maintaining a higher level of readiness within the RRF until the new LMSRs are added to the surge fleet.

Reducing the RRF program by 8.170M in FY 03 and out is a readiness adjustment. Seven Modular Cargo Delivery System equipped breakbulk ships are currently part of the RRF. One is prepositioned in Diego Garcia. The other six are in ROS-5 status in the RRF. One of the six, Cape Alexander, does not have a flight deck. CINCLANTFLT analysis of CLF requirements and CNA analysis of ordnance movement requirements suggest that fewer ships in lower readiness status are sufficient for CINCS' warfighting needs. This issue would move Cape Alexander (or another breakbulk ship in poorer material condition) to NDRF, and decrease the readiness of three additional MCDS ships to RRF 10. Resulting force would be 6 MCDS ships in following status: 1 prepositioned, 2 in ROS-5, 3 in RRF-10.

CINCLANT Fleet Restructure reduction downsizes this program by roughly 28M in FY 03 and out.

The FY 02 Congressional Fast Ships Initiative is being examined with considerations of both meeting congressional intent and in assuring that our past investment in sealift capacity is adequately maintained.

CLASSIFICATION: UNCLASSIFIED

FY 2003 President's Budget				SEALIFT COST ANALYSIS EXHIBIT P-5						A. DATE:		Feb-02							
B. APPROPRIATION ACTIVITY			C. ITEM NOMENCLATURE																
OPN BA : READY RESERVE FORCE			READY RESERVE FORCE, National Defense Sealift Fund																
	ELEMENT OF COST	IDENT CODE	TOTAL COST IN THOUSANDS OF DOLLARS																
COST CODE			FY 00		FY 01		FY 02		FY 03		FY 04		FY 05		FY 06		FY 07		
	(1)	(2)	QTY (3)	TOTAL COST (4)	QTY (5)	TOTAL COST (6)	QTY (7)	TOTAL COST (8)	QTY (9)	TOTAL COST (10)	QTY (11)	TOTAL COST (12)	QTY (13)	TOTAL COST (14)	QTY (15)	TOTAL COST (16)	QTY (15)	TOTAL COST (16)	
	MAINTENANCE & OPERATIONS																		
	Activations		51	12,764	44	20,552	47	16,114	50	23,579	46	15,452	49	23,295	46	16,085	50	25,752	
	Less JCS Exercise Savings			(5,000)		(5,000)		(5,000)		(5,000)		(5,000)		(5,000)		(5,000)		(5,000)	
	Maintenance and Repair			118,761		117,229		110,730		108,789		103,246		95,007		101,844		101,825	
	ROS Crews/SM fees		51	70,300	44	70,149	47	71,522	50	74,755	46	78,261	49	81,692	46	86,618	50	85,501	
	Outporting		51	16,341	44	19,200	47	18,600	50	20,200	46	15,300	49	17,700	46	19,400	50	18,600	
	Logistics			8,934		9,100		8,900		8,800		8,700		8,400		9,200		9,000	
	NDRF/Facilities			8,635		8,000		5,600		5,500		4,800		4,600		5,800		4,100	
	NDRF Scrap/drydocking							0		0		0		0		0		0	
	RRF Upgrades-RO/RO Expansion			40,000		7,000		7,000		7,000		8,000		8,000		8,500		10,000	
	CAPE/Fupgrades			17,153		8,606		6,369		5,042		0		0		0		0	
	OPDS/T-AVB/RRF machinery upgr			1,500		3,607		1,125		3,150		6,061		6,937		3,635		2,861	
	Fast Ship Initiative			0		0		21,221		0		0		0		0		0	
	Total, Maintenance & Ops program			289,388		258,443		262,181		251,815		234,820		240,631		246,082		252,639	
	Less carryover from FY PY			(32,527)		0		(13,500)		0		0		0		0		0	
	TOTAL, RRF			256,861		258,443		248,681		251,815		234,820		240,631		246,082		252,639	

NATIONAL DEFENSE SEALIFT FUND

RRF READINESS STATUS

(Ship Quantity)

FY 2003 President's Budget

READY RESERVE FORCE- SHIPS BY READINESS CATEGORY

NDSF

Feb-02

BA-5

BLI# 0500

Ship Type	1999	2000	2001	2002	2003	2004	2005	2006	2007
BREAKBULK	<u>29</u>	<u>29</u>	<u>28</u>	<u>15</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>
ROS-5	10	10	10	10	6	6	6	6	6
RRF-10	17	4	4	4	8	8	8	8	8
RRF-20									
RRF-30	1	14	13		1	1	1	1	1
PREPO	1	1	1	1	1	1	1	1	1
RO/RO	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>	<u>31</u>
ROS-4	31	21	21	21	21	21	21	21	21
ROS-5	0	6	6	6	6	6	6	6	6
RRF-10	0	4	4	4	4	4	4	4	4
PREPO									
HEAVYLIFT	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
ROS-5	2	2	2	2	2	2	2	2	2
RRF-10	5	5	5	5	5	5	5	5	5
T-ACS	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
ROS-4	0	5	5	5	5	5	5	5	5
ROS-5	9	4	4	4	4	4	4	4	4
PREPO	1	1	1	1	1	1	1	1	1
TANKER	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
RRF-10	3	3	3	3	3	3	3	3	3
RRF-20	2	2	2	2	2	2	2	2	2
OPDS-TANKER	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
ROS-5	2	1	1	1	1	1	1	1	1
RRF-10	0	1	1	1	1	1	1	1	1
RRF-30	1	0	0	0	0	0	0	0	0
PREPO	2	2	2	2	2	2	2	2	2
T-AVB									
ROS-5	2	2	2	2	2	2	2	2	2
TROOPSHIP									
RRF-10	2	2	2	2	2	2	2	2	2
GRAND TOTALS	91	90	89	76	77	77	77	77	77

NATIONAL DEFENSE SEALIFT FUND (NDSF)
REVENUE AND EXPENSES
(Dollars in Millions)
FY 2003 President's Budget
NDSF Unfunded Reimbursable Programs

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	Feb-02 <u>FY 2003</u>
Revenue:				
Gross Sales:				
Operations	665.9	645.1	664.5	684.4
Depreciation Except Maj Const	0.0	0.0	0.0	0.0
Major Construction Depreciation	0.0	0.0	0.0	0.0
Total Gross Sales	665.9	645.1	664.5	684.4
Other Income	0.0	0.0	0.0	0.0
 Total Income	 665.9	 645.1	 664.5	 684.4
 Expenses:				
Prepositioning Ships	579.5	556.1	572.8	590.0
Surge Ships	86.4	89.0	91.7	94.4
 Total Expenses	 665.9	 645.1	 664.4	 684.4
 Work in Progress Adjusted	 0.0	 0.0	 0.0	 0.0
Comp Work for Activity Reten Adj	0.0	0.0	0.0	0.0
Cost of Goods Sold	665.9	645.1	664.5	684.4
 Operating Result	 0.0	 0.0	 0.0	 0.0
 Less Capital Surchg Reservation	 0.0	 0.0	 0.0	 0.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0	0.0
Other Changes Affecting NOR/AOR	0.0	0.0	0.0	0.0
Inventory Gains and Losses	0.0	0.0	0.0	0.0
Net Operating Result	0.0	0.0	0.0	0.0
 Transfers Not Affecting NOR/AOR	 0.0	 0.0	 0.0	 0.0
Prior Year and Other Adjustments	0.0	0.0	0.0	0.0
Other Inventory Adjustments	0.0	0.0	0.0	0.0
WRM Appropriations	0.0	0.0	0.0	0.0
Net Result	0.0	0.0	0.0	0.0

REVENUE AND EXPENSES
(Dollars in Millions)
FY 2003 President's Budget
NATIONAL DEFENSE SEALIFT FUND (NDSF)
NDSF Unfunded Reimbursable Programs

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	Feb-02 <u>FY 2003</u>
1. Orders from DoD Components:				
Navy	390.3	395.0	406.9	419.1
Army	206.4	183.7	189.2	194.9
Air Force	34.5	32.5	33.5	34.5
DLA	34.7	33.9	34.9	36.0
2. Other Orders:				
Other Federal Agencies	0.0	0.0	0.0	0.0
Trust Fund	0.0	0.0	0.0	0.0
Non-Federal Agencies	0.0	0.0	0.0	0.0
3. Total Gross Orders	665.9	645.1	664.5	684.4
4. Credits and Allowances:				
Discounts	0.0	0.0	0.0	0.0
Price Reductions	0.0	0.0	0.0	0.0
5. Change to Backlog	0.0	0.0	0.0	0.0
6. Total Gross Sales	665.9	645.1	664.5	684.4

REVENUE AND EXPENSES
(Dollars in Millions)
FY 2003 President's Budget
NATIONAL DEFENSE SEALIFT FUND (NDSF)
NDSF Direct Funded Programs

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	Feb-02 <u>FY 2003</u>
Assets:				
Selected Assets:				
Fund Balance with Treasury	1,110.3	399.4	428.6	934.1
Reserve for Capital Purchases (memo)				
Accounts Receivable	0.0	0.0	0.0	0.0
Advances Made	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0
Other Assets	0.0	0.0	0.0	0.0
Deferred Capital Property	0.0	0.0	0.0	0.0
 Total Assets	 1,110.3	 399.4	 0.0	 934.1
Liabilities:				
Selected Liabilities:				
Accounts Payable				
Accrued Liabilities	1,110.3	744.8	506.4	890.0
Advances Received	0.0	0.0	0.0	0.0
Unfunded	0.0	0.0	0.0	0.0
Liabilities	0.0	0.0	0.0	0.0
Other Liabilities	0.0	0.0	0.0	0.0
 Total Liabilities	 1,110.3	 744.8	 506.4	 890.0
Government Equity:				
Paid-in-Capital				
(Assets Capitalized less Liabilities Assumed)	0.0	0.0	0.0	0.0
Accumulated Operating Results	0.0	0.0	0.0	0.0
 Total Government Equity	 0.0	 0.0	 0.0	 0.0
 Total Liabilities and Equity	 1,110.3	 744.8	 506.4	 890.0

REVENUE AND EXPENSES
(Dollars in Millions)
FY 2003 President's Budget
NATIONAL DEFENSE SEALIFT FUND (NDSF)
NDSF Direct Funded Programs

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	Feb-02 <u>FY 2003</u>
Unobligated Authority				
Available, Beginning of Year				
New Authority:	1,110.3	399.4	428.6	934.1
New Construction/Conversion	755.6	12.5	0.0	388.8
DOD Mobilization Assets	94.1	121.8	170.2	279.1
RDT&E	3.8	6.7	9.7	14.4
NDRF Operations and Maintenance	256.9	258.4	248.7	251.8
Transfer to Other Accounts	0.0	0.0	0.0	0.0
Obligations (Total)	1,110.3	399.4	428.6	934.1
New Construction/Conversion	755.6	12.5	0.0	388.8
DOD Mobilization Assets	94.1	121.8	170.2	279.1
RDT&E	3.8	6.7	9.7	14.4
NDRF Operations and Maintenance	256.9	258.4	248.7	251.8
Unobligated Balance, End of Year	0.0	0.0	0.0	0.0
Outlays (Total):				
New Construction/Conversions				
RDT&E				
Unliquidated Obligations, EOY				
Financing of Capital Purchases:				
Direct Appropriation	1,110.3	399.4	428.6	934.1
Transferred from Other Accounts	0.0	0.0	0.0	0.0
Alliance Contributions	0.0	0.0	0.0	0.0